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RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 1064
RUEHKO/AMEMBASSY TOKYO 1766
RUEHUL/AMEMBASSY SEOUL 0732
RHEBAAA/DEPT OF ENERGY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEAIIA/CIA WASHDC
RHEFAAA/DIA WASHDC
RHEHNSC/NSC WASHDC 1248
RUEKJCS/SECDEF WASHDC 1165
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SUBJECT: KAZAKHSTAN: ECONOMIC AND ENERGY UPDATE, JUNE 7-20

11. SUMMARY: This information is drawn primarily from the Kazakhstani local press and has not been verified for accuracy.

- Kazakhstan Welcomes IMF Technical Assistance
- National Bank Reduces 2009 Inflation Forecast
- Kazatomprom News
- Agip KCO News
- Energy Statistics

KAZAKHSTAN WELCOMES IMF TECHNICAL ASSISTANCE

12. International Monetary Fund (IMF) Managing Director Dominic Strauss-Kahn expressed satisfaction with the current level of cooperation between the IMF and Kazakhstan during a June 15 visit to Astana. "We work together on various issues, including restructuring of external debts of banks," said Strauss-Kahn. Prime Minister Karim Masimov told reporters that Kazakhstan does not plan to borrow funds from the IMF, but that it would welcome the IMF's advice and technical assistance "to prepare a new conception for Kazakhstan's financial architecture."

NATIONAL BANK REDUCES 2009 INFLATION FORECAST

13. The National Bank of Kazakhstan reduced its 2009 inflation forecast from 11 to 9 percent. "After the February devaluation of the tenge, we reviewed the inflation forecast and increased it to 11 percent because we expected a sharp growth in retail prices. However, the situation after the devaluation has remained stable, and by now it is possible to say that inflation in 2009 will be 9 percent" said National Bank Deputy Chairman Daniyar Akishev.

KAZATOMPROM NEWS

14. On June 15, Canada's Uranium One Inc. bought a 50% stake in Karatau LLC from Russia's uranium holding company Atomredmetzoloto (ARMZ) in exchange for \$90 million in cash and 16.6% of Uranium One's shares. Kazakhstan's state nuclear company Kazatomprom owns the remaining 50% of Karatau LLC, which produced 653 tons of uranium in 2008. The purchase agreement, which remains subject to regulatory approval by Kazakhstan and Australia, is expected to be finalized by December 15. (NOTE: The Karatau mine is located in close geographic proximity to the Akdala and South Inkai mines,

which are 70 percent-owned by Uranium One's Betpak Dala joint venture. END NOTE.) Jean Nortier, President and Chief Executive Officer of Uranium One, said, "The acquisition of a 50% stake in Karatau adds another long-life, large-scale, and high-margin asset to our portfolio and will significantly enhance Uranium One's production profile and cement its position of leadership in the Kazakh uranium mining industry."

15. According to a June 17 Presidential Administration press release, Ulba Metallurgical Plant, which is a Kazatomprom subsidiary, is considering purchasing a controlling interest in the Brazil-based tantalum producer Industrial Fluminense. This sale would precede the establishment of a joint venture to develop a tantalum-niobium field in Brazil. (NOTE: Kazatomprom has long aspired to produce tantalum in Brazil, but had announced in summer 2008 that it was abandoning its plans because of the high price of doing so. END NOTE.)

16. Sergei Kiriyeenko, the head of Russia's state nuclear company Rosatom, confirmed on June 19 that preparations for the construction of a nuclear power plant in Aktau could be completed in 2009. "Consultations are underway in Moscow with a working group from Kazakhstan," he said. According to Kiriyeenko, Russia would provide its "know-how" and technology, and Kazakhstan would be responsible for the funding. The Aktau nuclear plant is to be equipped with VBER-300 reactors designed by Russia's Afrikantov Experimental Bureau. "The reactor will be owned by a joint venture, which will have the right to sell it -- not only to Kazakhstan or Russia," he added. (NOTE: In February, Kazakhstan's Minister of Energy and Mineral Resources, Sauat Mynbayev, said that the funds allocated for the construction of the Aktau nuclear power plant had been returned to the budget because legal issues regarding the transfer of Russian

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intellectual property to Kazakhstan had not been resolved. END NOTE.)

AGIP KCO NEWS

17. Minister of Energy and Mineral Resources Sauat Mynbayev informed reporters on June 17 that Agip KCO, the operator of the Kashagan project, plans to build a shipyard that will construct tankers with 63,000 deadweight ton capacity designed specifically for the Kazakhstan Caspian Transportation System (KCTS). Mynbayev expects a Memorandum of Understanding to be signed by the end of June, a final contract to be agreed to in September, and construction launched in 2010. Agip KCO granted Oman's Topaz Energy and Marine Ltd a \$100 million contract to build and operate six tug boats for the Kashagan project in 2010.

ENERGY STATISTICS

18. According to the National Statistics Agency, from January to April, Kazakhstan produced 25.33 million tons of crude oil and 14.62 billion cubic meters (bcm) of natural gas, marking a 3.9 percent and 3.8 percent increases respectively over the same period in 2008. In addition, Kazakhstan exported 21.81 million tons of crude oil and gas condensate, valued at \$6.20 billion, from January to April, marking a 9.5 percent increase in export volume, but a 52.2 percent decrease in export value, over that period in 2008. Similarly, Kazakhstan exported 5.74 bcm of natural gas, valued at \$399.5 million, during January to April, marking a 2.3 percent increase in volume and a 24.1 percent increase in value over the same period in 2008.

19. From January to May, Kazakhstan's coal production was 38.86 million metric tons, a 15.2 percent decrease from the same period in 2008. Also from January to May, Kazakhstan's power generation decreased 7.8 percent year-on-year to 33.01 billion kilowatt-hours.

110. Minister of Energy and Mineral Resources Sauat Mynbayev confirmed on June 17 that the forecast for total crude oil and gas condensate production for 2009 will remain at 77 million tons. Earlier in the year, Minister of Economy and Budget Planning Bakhyt Sultanov predicted that the forecast might be reduced by 3 million tons because of falling global oil prices.

